

# HOUSE BILL No. 1714

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-1.1.

**Synopsis:** Homestead credits. Changes the property tax homestead credit for taxes payable in 2002 from 4% to 10%, and freezes the credit at 10% for later years. Establishes a reassessment protection homestead credit (which is in addition to the homestead credit) for taxes payable in 2003 and later years, and directs the state board of tax commissioners to determine the percentage of the credit under a formula designed to offset shifts of taxes to residential real property caused by general reassessments of real property. Makes conforming changes.

**Effective:** January 1, 2001 (retroactive); January 1, 2002.

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January 17, 2001, read first time and referred to Committee on Ways and Means.

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First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

## HOUSE BILL No. 1714

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

- 1 SECTION 1. IC 6-1.1-20.5-6, AS ADDED BY P.L.273-1999,  
2 SECTION 50, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JANUARY 1, 2002]: Sec. 6. (a) The department of state revenue shall  
4 distribute to each county treasurer from the property tax replacement  
5 fund the estimated distribution for that year for the county at the same  
6 time and in the same manner as the homestead credit **and**  
7 **reassessment protection homestead credit** distributions are made  
8 under IC 6-1.1-21. The money in the fund is appropriated to make the  
9 distributions.  
10 (b) All distributions provided in this section shall be made on  
11 warrants issued by the auditor of state drawn on the treasurer of state.  
12 SECTION 2. IC 6-1.1-20.9-1 IS AMENDED TO READ AS  
13 FOLLOWS [EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)]:  
14 Sec. 1. As used in this chapter:  
15 (1) "Dwelling" means residential real property improvements  
16 which an individual uses as ~~his~~ **the individual's** residence,  
17 including a house or garage.



(2) "Homestead" means an individual's principal place of residence which:

(A) is located in Indiana;

(B) the individual either owns or is buying under a contract, recorded in the county recorder's office, that provides that ~~he~~ **the individual** is to pay the property taxes on the residence; and

(C) consists of a dwelling and the real estate, not exceeding one (1) acre, that immediately surrounds that dwelling.

(3) "**Homestead credit**" refers to the **homestead credit authorized under section 2(a) of this chapter.**

(4) "**Property tax liability**" means the **property tax liability, as that term is defined in IC 6-1.1-21-5, that is attributable to an individual's homestead.**

(5) "**Protection credit**" refers to the **reassessment protection homestead credit authorized under section 2(d) of this chapter.**

SECTION 3. IC 6-1.1-20.9-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)]:  
Sec. 2. (a) Except as otherwise provided in section 5 of this chapter, an individual who on March 1, of a particular year either owns or is buying a homestead under a contract that provides the individual is to pay the property taxes on the homestead is entitled each calendar year to a **homestead** credit against the property taxes ~~which that~~ the individual pays on the individual's homestead. However, only one (1) individual may receive a **homestead** credit under this chapter for a particular homestead in a particular year.

(b) The amount of the **homestead** credit to which the individual is entitled **with respect to taxes payable in calendar years 2001 and 2002** equals the product of:

(1) **ten percent (10%) or** the percentage prescribed in subsection ~~(d);~~ **(h);** multiplied by

(2) the amount of the individual's property tax liability ~~as that term is defined in IC 6-1.1-21-5, which is attributable to with respect to taxes payable on the homestead during in the particular~~ calendar year.

(c) The amount of the **homestead** credit to which the individual is entitled **with respect to taxes payable in calendar year 2003 or a later calendar year** equals the product of:

(1) **ten percent (10%) or the percentage prescribed in subsection (h);** multiplied by

(2) **the remainder of:**



(A) the amount of the individual's property tax liability with respect to taxes payable on the homestead in the calendar year; minus

(B) the amount of the protection credit determined for the calendar year under subsection (e).

(d) Except as otherwise provided in section 5 of this chapter, an individual who on March 1, 2002, or March 1 of any later year either owns or is buying a homestead under a contract that provides the individual is to pay the property taxes on the homestead is entitled each calendar year to a reassessment protection homestead credit against the property taxes that the individual pays on the individual's homestead. However, only one (1) individual may receive a protection credit under this chapter for a particular homestead in a particular year.

(e) The amount of the protection credit to which the individual is entitled with respect to taxes payable in a particular calendar year equals the product of:

- (1) the percentage prescribed in subsection (g); multiplied by
- (2) the amount of the individual's property tax liability with respect to taxes payable on the homestead in the calendar year before application of the homestead credit determined under subsection (c).

(f) For purposes of determining that part of an individual's property tax liability that is attributable to the individual's homestead, all deductions from assessed valuation which the individual claims under IC 6-1.1-12 or IC 6-1.1-12.1 for property on which the individual's homestead is located must be applied first against the assessed value of the individual's homestead before those deductions are applied against any other property.

(d) The percentage of the credit referred to in subsection (b)(1) is as follows:

YEAR	PERCENTAGE OF THE CREDIT
1996	8%
1997	6%
1998 through 2001	10%
2002 and thereafter	4%

(g) The percentage of the protection credit referred to in subsection (e)(1) is determined under this subsection for taxes payable in 2003 and thereafter. In a year in which a general reassessment of real property takes effect on the assessment date for the year, the state board of tax commissioners shall determine



the protection credit percentage for taxes payable in each following year, including the year in which the subsequent general reassessment of real property takes effect. The amount of protection credit is determined in STEP SEVEN of the following formula:

**STEP ONE:** For the year that immediately precedes the year in which the general reassessment of real property takes effect, determine the quotient of:

(A) the assessed value of all residential real property in the state; divided by

(B) the assessed value of all real property in the state.

**STEP TWO:** For the year in which the general reassessment of real property takes effect, determine the quotient of:

(A) the assessed value of all residential real property in the state; divided by

(B) the assessed value of all real property in the state.

**STEP THREE:** Determine the quotient of:

(A) the quotient determined under STEP TWO; divided by

(B) the quotient determined under STEP ONE.

**STEP FOUR:** Determine the remainder of:

(A) the quotient determined under STEP THREE; minus

(B) one (1).

**STEP FIVE:** Determine the quotient of:

(A) the remainder determined under STEP FOUR; divided by

(B) the quotient determined under STEP THREE.

**STEP SIX:** Determine a percentage by multiplying the quotient determined under STEP FIVE by one hundred (100).

**STEP SEVEN:** Round the percentage determined under STEP SIX up to the nearest one-tenth of one percent (0.1%).

(h) ~~However,~~ The property tax replacement fund board established under IC 6-1.1-21-10, in its sole discretion, may increase the percentage of the **homestead** credit ~~provided in the schedule determined under subsection (b) or (c)~~ for any year, if the board feels that the property tax replacement fund contains enough money for the resulting increased distribution. ~~If the board increases the percentage of the credit provided in the schedule for any year,~~ The percentage of the **homestead** credit for the immediately following a year is the percentage provided in the schedule for that particular year, **ten percent (10%)**, unless as provided in this subsection the board in its discretion increases the percentage of the **homestead** credit. ~~provided in the schedule for that particular year.~~ However, the percentage of

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**homestead** credit allowed in a particular county for a particular year shall be increased if on January 1 of a year an ordinance adopted by a county income tax council was in effect in the county which increased the homestead credit. The amount of the increase equals the amount designated in the ordinance.

~~(e)~~ **(i)** Before October 1 of each year, the assessor shall furnish to the county auditor the amount of the assessed valuation of each homestead for which a homestead credit, **or a homestead credit and a protection credit**, ~~has have~~ been properly filed under this chapter.

~~(f)~~ **(j)** The county auditor shall apply the **homestead credit and the protection credit** equally to each installment of taxes that the individual pays for the property.

~~(g)~~ **(k)** Notwithstanding the provisions of this chapter, a taxpayer other than an individual is entitled to the **homestead credit and the protection credit** provided by this chapter if:

- (1) an individual uses the residence as the individual's principal place of residence;
- (2) the residence is located in Indiana;
- (3) the individual has a beneficial interest in the taxpayer;
- (4) the taxpayer either owns the residence or is buying it under a contract, recorded in the county recorder's office, that provides that the individual is to pay the property taxes on the residence; and
- (5) the residence consists of a single-family dwelling and the real estate, not exceeding one (1) acre, that immediately surrounds that dwelling.

SECTION 4. IC 6-1.1-20.9-3, AS AMENDED BY P.L.125-1999, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 3. (a) An individual who desires to claim:

**(1) the homestead credit; provided by section 2 of this chapter;**  
**or**

**(2) the homestead credit and the protection credit;**

must file a certified statement in duplicate, on forms prescribed by the state board of tax commissioners, with the auditor of the county in which the homestead is located. The statement shall include the parcel number or key number of the real estate and the name of the city, town, or township in which the real estate is located. The statement must be filed during the twelve (12) months before May 11 of the year prior to the first year for which the person wishes to obtain the **homestead credit, or the homestead credit and the protection credit**, for the homestead. The statement applies for that first year and any succeeding year for which the **homestead** credit is allowed, **or for which the**



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**homestead credit and the protection credit are allowed.**

(b) The certified statement referred to in subsection (a) shall contain the name of any other county and township in which the individual owns or is buying real property.

(c) If an individual who is receiving the **homestead credit, provided by this chapter or the homestead credit and the protection credit**, changes the use of ~~his~~ **the individual's** real property, so that part or all of that real property no longer qualifies for the homestead credit, ~~provided by this chapter, or the homestead credit and the protection credit~~, the individual must file a certified statement with the auditor of the county, notifying the auditor of the change of use within sixty (60) days after the date of that change. An individual who changes the use of ~~his~~ **the** real property and fails to file the statement required by this subsection is liable for:

(1) the amount of the **homestead credit he was allowed under this chapter** for that real property; or

(2) **the amount of the homestead credit and protection credit allowed for that real property.**

(d) An individual who receives the **homestead credit, provided by section 2 of this chapter or the homestead credit and protection credit**, for property that is jointly held with another owner in a particular year and remains eligible for the credit **or credits** in the following year is not required to file a statement to reapply for the credit **or credits** following the removal of the joint owner if:

(1) the individual is the sole owner of the property following the death of the individual's spouse;

(2) the individual is the sole owner of the property following the death of a joint owner who was not the individual's spouse; or

(3) the individual is awarded sole ownership of property in a divorce decree.

SECTION 5. IC 6-1.1-20.9-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 4. (a) The auditor of a county (referred to in this section as the "first county") with whom a credit statement is filed under section 3 of this chapter shall immediately prepare and transmit a copy of the statement to the auditor of any other county (referred to in this section as the "second county") if the individual who claims the **homestead credit, or the homestead credit and the protection credit**, owns or is buying real property located in the second county.

(b) The county auditor of the second county shall note on the copy of the statement whether or not the individual has claimed a **homestead credit, or a homestead credit and a protection credit**, for



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the current year under section ~~2~~ **3** of this chapter for a homestead located in the second county. The auditor shall then return the copy to the auditor of the first county.

SECTION 6. IC 6-1.1-20.9-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 5. (a) Each year, the county auditor shall place the original copies of all credit statements filed under section 3 of this chapter in alphabetical order by townships. And, he shall, without regard to townships, place the duplicate copies for the entire county in alphabetical order.

(b) The auditor shall ascertain from the alphabetical files whether or not more than one (1) statement has been filed by the same individual.

(c) The county auditor may not grant an individual a **homestead credit**, ~~under section 2 of this chapter~~ **or a homestead credit and a protection credit**, if:

- (1) the individual, for the same year, claims the credit **or credits** on two (2) or more different statements; and
- (2) the statements claim the credit **or credits** for different property.

SECTION 7. IC 6-1.1-20.9-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 6. Before April 1 of each year prior to the year in which:

**(1) the homestead credit is allowed; or**

**(2) the homestead credit and protection credit are allowed;**

the auditor of each county shall certify to the state board of tax commissioners the amount of the assessed valuation which qualifies for the homestead credit, **or for the homestead credit and protection credit**. Before February 1 of each year, the auditor of each county shall certify to the state board of tax commissioners the amount of homestead credits, **or the amount of homestead credits and protection credits**, allowed in that county for that calendar year.

SECTION 8. IC 6-1.1-21-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 3. (a) On or before March 1 of each year, the state board of tax commissioners shall certify to the department on a form approved by the state board of accounts, an estimate of the total county tax levy collectible in that calendar year for each county in the state. The estimate shall be based on the tax collections for the preceding calendar year, adjusted as necessary to reflect the total county tax levy (as defined in section 2(g) of this chapter) from the budgets, tax levies, and rates as finally determined and acted upon by the state board of tax commissioners. The department, with the assistance of the auditor of state, shall

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determine on the basis of the report an amount equal to twenty percent (20%) of the total county tax levy, which is the estimated property tax replacement.

(b) In the same report containing the estimate of a county's total county tax levy, the state board of tax commissioners shall also certify the amount of homestead credits **and reassessment protection homestead credits** provided under IC 6-1.1-20.9 which are allowed by the county for the particular calendar year.

(c) If there are one (1) or more taxing districts in the county that contain all or part of an economic development district that meets the requirements of section 5.5 of this chapter, the state board of tax commissioners shall estimate an additional distribution for the county in the same report required under subsection (a). This additional distribution equals the sum of the amounts determined under the following STEPS for all taxing districts in the county that contain all or part of an economic development district:

STEP ONE: Estimate that part of the sum of the amounts under section 2(g)(1)(A) and 2(g)(2) of this chapter that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of the estimated property tax replacement determined under subsection (a) that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the property taxes levied in the taxing district that are allocated to a special fund under IC 6-1.1-39-5.

(d) The sum of the amounts determined under subsections (a) through (c) is the particular county's estimated distribution for the calendar year.

SECTION 9. IC 6-1.1-21-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 4. (a) Each year the department shall allocate from the property tax replacement fund an amount equal to the sum of:

(1) twenty percent (20%) of each county's total county tax levy payable that year; plus

(2) the total amount of homestead tax credits **and reassessment protection homestead credits** that are provided under IC 6-1.1-20.9 and allowed by each county for that year; plus

(3) an amount for each county that has one (1) or more taxing districts that contain all or part of an economic development

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district that meets the requirements of section 5.5 of this chapter.  
This amount is the sum of the amounts determined under the  
following STEPS for all taxing districts in the county that contain  
all or part of an economic development district:

STEP ONE: Determine that part of the sum of the amounts  
under section 2(g)(1)(A) and 2(g)(2) of this chapter that is  
attributable to the taxing district.

STEP TWO: Divide:

(A) that part of the subdivision (1) amount that is  
attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the property taxes levied in the taxing district that are  
allocated to a special fund under IC 6-1.1-39-5.

(b) Between March 1 and August 31 of each year, the department  
shall distribute to each county treasurer from the property tax  
replacement fund one-half (1/2) of the estimated distribution for that  
year for the county. Between September 1 and December 15 of that  
year, the department shall distribute to each county treasurer from the  
property tax replacement fund the remaining one-half (1/2) of each  
estimated distribution for that year. The amount of the distribution for  
each of these periods shall be according to a schedule determined by  
the property tax replacement fund board under section 10 of this  
chapter. The estimated distribution for each county may be adjusted  
from time to time by the department to reflect any changes in the total  
county tax levy upon which the estimated distribution is based.

(c) On or before December 31 of each year or as soon thereafter as  
possible, the department shall make a final determination of the amount  
which should be distributed from the property tax replacement fund to  
each county for that calendar year. This determination shall be known  
as the final determination of distribution. The department shall  
distribute to the county treasurer or receive back from the county  
treasurer any deficit or excess, as the case may be, between the sum of  
the distributions made for that calendar year based on the estimated  
distribution and the final determination of distribution. The final  
determination of distribution shall be based on the auditor's abstract  
filed with the auditor of state, adjusted for postabstract adjustments  
included in the December settlement sheet for the year, and such  
additional information as the department may require.

(d) All distributions provided for in this section shall be made on  
warrants issued by the auditor of state drawn on the treasurer of state.

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1 If the amounts allocated by the department from the property tax  
 2 replacement fund exceed in the aggregate the balance of money in the  
 3 fund, then the amount of the deficiency shall be transferred from the  
 4 state general fund to the property tax replacement fund, and the auditor  
 5 of state shall issue a warrant to the treasurer of state ordering the  
 6 payment of that amount. However, any amount transferred under this  
 7 section from the general fund to the property tax replacement fund  
 8 shall, as soon as funds are available in the property tax replacement  
 9 fund, be retransferred from the property tax replacement fund to the  
 10 state general fund, and the auditor of state shall issue a warrant to the  
 11 treasurer of state ordering the replacement of that amount.

12 SECTION 10. IC 6-1.1-21-7 IS AMENDED TO READ AS  
 13 FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 7. (a)  
 14 Notwithstanding IC 6-1.1-26, any taxpayer who is entitled to a credit  
 15 under this chapter or who has properly filed for and is entitled to a  
 16 **homestead credit or a reassessment protection homestead credit**  
 17 under IC 6-1.1-20.9, and who, without taking the credit, pays in full the  
 18 taxes to which the credit applies, is entitled to a refund, without  
 19 interest, of an amount equal to the amount of the credit. However, if the  
 20 taxpayer, at the time a refund is claimed, owes any other taxes, interest,  
 21 or penalties payable to the county treasurer to whom the taxes subject  
 22 to the credit were paid, then the credit shall be first applied in full or  
 23 partial payment of the other taxes, interest, and penalties and the  
 24 balance, if any, remaining after that application is available as a refund  
 25 to the taxpayer.

26 (b) Any taxpayer entitled to a refund under this section shall be paid  
 27 that refund from proceeds of the property tax replacement fund.  
 28 However, with respect to any refund attributable to a homestead credit,  
 29 the refund shall be paid from that fund only to the extent that the  
 30 percentage homestead credit the taxpayer was entitled to receive for a  
 31 year does not exceed the percentage credit allowed in  
 32 ~~IC 6-1.1-20.9-2(d)~~ **IC 6-1.1-20.9-2 (without any adjustment under**  
 33 **IC 6-1.1-20.9-2(h))** for that same year. Any refund of a **homestead**  
 34 **credit** in excess of that amount shall be paid from the county's revenue  
 35 distributions received under IC 6-3.5-6.

36 (c) The state board of accounts shall establish an appropriate  
 37 procedure to simplify and expedite the method for claiming these  
 38 refunds and for the payments thereof, as provided for in this section,  
 39 which procedure is the exclusive procedure for the processing of the  
 40 refunds. The procedure shall, however, require the filing of claims for  
 41 the refunds by not later than June 1 of the year following the payment  
 42 of the taxes to which the credit applied.



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SECTION 11. IC 6-1.1-21.7-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 8. The board shall make a loan from the counter-cyclical revenue and economic stabilization fund to the taxing unit in the amount specified in the order of the state board of tax commissioners under section 7 of this chapter not more than thirty (30) days after the state board of tax commissioners notifies the board under section 7 of this chapter that the appeal for emergency relief has been granted. The board and the taxing unit shall enter into a written agreement governing the terms and conditions of the loan. The agreement must contain the following provisions:

(1) The taxing unit is obligated to pay an interest rate of five percent (5%) simple interest per year on the outstanding balance of the loan.

(2) The taxing unit is obligated to begin repaying the principal of the loan after January 1 in the sixth year after the year in which the loan is granted.

(3) The taxing unit shall repay the loan on the schedule agreed to between the board and the taxing unit with the last payment being made not later than December 1 in the tenth year after the year in which the loan is granted.

(4) In addition to any other remedy available to the board, the board is authorized to offset the amount of any delinquent payment on the loan from property tax replacement credit, ~~or~~ homestead credit, **or reassessment protection homestead credit** distributions otherwise due the taxing unit.

SECTION 12. IC 6-1.1-21.7-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 13. Loan proceeds received under this chapter shall be treated as property taxes receivable by the fund in which the loan proceeds are deposited for the purposes of receiving any excise tax, state distribution, or other distribution of tax revenues that is computed on the basis of the amount of the taxing unit's property tax levy, except property tax replacement, ~~and~~ homestead credits, **and reassessment protection homestead credits**.

SECTION 13. IC 6-1.1-21.7-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 17. If a taxing unit is delinquent in repaying a loan granted under this chapter, the board may certify the amount of the delinquency to the auditor of state and the department of state revenue. Upon receiving a certification under this section, the auditor of state and the department of state revenue shall reimburse the board in the amount of the delinquency from property tax replacement credit, ~~or~~ homestead credit, **or**

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1     **reassessment protection homestead credit** distributions otherwise  
2     due the taxing unit. The auditor of state and the department of state  
3     revenue shall reduce the amount distributed for payment to the taxing  
4     unit by the amount paid to the board under this section.

5     SECTION 14. **An emergency is declared for this act.**

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